

Message Text

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47

ACTION TRSE-00

INFO OCT-01 EUR-25 ADP-00 SS-15 NSC-10 AID-20 CEA-02

CIAE-00 COME-00 EB-11 EA-11 FRB-02 INR-10 IO-13

NEA-10 NSAE-00 RSC-01 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 RSR-01 /154 W

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R 281550 Z JUN 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 1381

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

LIMITED OFFICIAL USE PARIS 17832

E. O. 11652: N/A

TAGS: EFIN, OECD, FR

SUBJ: OECD EXAMINATION OF FOREIGN INVESTMENT POLICIES AND
PRACTICES -- FRANCE

REF: STATE 118847

1. AT EMBASSY'S REQUEST, BORDEAUX CONSULATE OBTAINED FROM
TRW BORDEAUX FOLLOWING INFORMATION ON ITS INVESTMENT IN THAT
LOCALITY, FOR WHICH FRENCH "OVERT INCENTIVES" WERE AVAILABLE.
REPLY IS KEYED TO QUESTIONS POSED PARA 2 STATE 118847.

(A) TRW ELECTRONIC COMPONENT PLANT IN BORDEAUX, SET UP IN
1971.

(B) PLANT WAS LOCATED IN RENTED PREMISES PREPARED FOR TRW
SPECIFIC NEEDS IN AN INDUSTRIAL ZONE IN BORDEAUX. CITY OF
BORDEAUX OWNS BUILDING. INITIAL INVESTMENT WAS \$3.5 MILLION
AND IS NOW \$6 MILLION, MAINLY IN EQUIPMENT. PLANT INITIALLY
EMPLOYED 110 AND WILL BE GOING UP TO 500 IN A FEW YEARS.

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(C) TRW RECEIVED PRIME INDUSTRIAL GRANT AMOUNTING TO 25 PERCENT OF INVESTMENT SUBJECT TO LIMIT OF 13,000 FRANCS PER JOB CREATED. TRW SAYS GRANT IS ADDED TO ITS PRE- TAX INCOME, SO IF IT SHOWS PROFITS DURING FIRST THREE YEARS AFTER BEGINNING OPERATIONS (WHEN GRANT IS MADE), VALUE OF GRANT IS REDUCED BY TAX PAYMENTS. GRANT IS EXPECTED TO BE IN 1.2 TO 1.5 MILLION FRANC RANGE. TRW ALSO HAD FIVE- YEAR RELIEF FROM THE LOCAL BUSINESS TAX (PATENTE), SUBSIDIES FOR PERSONNEL TRAINING AND ACCELERATED DEPRECIATION.

(D) TRW DECIDED TO INVEST IN EC AND ELIMATED GERMANY, ITALY AND SCOTLAND FOR VARIOUS REASONS. THEY DECIDED ON FRANCE, AND TWIN CITY RELATIONS BETWEEN BORDEAUX AND LOS ANGELES (HOME OF TRW) AND FACT THAT THE EXECUTIVE V. P. OF TRW IS A WINE LOVER WERE EMOTIONAL FACTORS IN CHOICE OF BORDEAUX. INVESTMENT INCENTIVES WERE ADDITIONAL BUT NOT MAIN ATTRACTION.

(E) TRW SAYS NO RELATION BETWEEN INVESTMENT INCENTIVES AND EXPORTS. THEY UNDERScore THAT INCENTIVES WERE FOR LOCATING IN BORDEAUX AND NOT FOR PROMOTING EXPORTS OR IMPORT SUBSTITUTION.

2. TRW PUT NO RESTRICTIONS ON INFORMATION PROVIDED;
HENCE NAME OF COMPANY COULD BE USED IF NECESSARY.
IRWIN

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NNNNMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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